

Note: The facts of the following case study have been fabricated in an effort to demonstrate investment issues that may face municipal treasurers, finance directors, and investment staff. Any relationship these facts may have to actual people, places, things, actions, circumstances or events is not intended and is purely coincidental.

INVESTING PUBLIC FUNDS CASE STUDY

BACKGROUND:

Geography and History

Sandpointe is a city located in the rural portion of a mid-size California county. It is surrounded by a dry mountain range to the east and north and sage-brushed desert to the west and south. Its western edge is 40 miles as the crow flies from the coast. The city incorporated in 1926, and is home to both the world-renowned Catnip Festival and the world's largest ball of twine, which each draw thousands of visitors annually.

Population

At the turn of the century, Sandpointe's civilian population stood at 80,000, which represents a twenty percent increase over population figures of ten years ago. This recent population growth is the result of the migration of commuters who work in the very large metropolitan area north of Sandpointe. This migration has been encouraged by the 2001 extension of the highway over the mountain range through Sandpointe and to points far south. It has been further encouraged by the more affordable single-family housing available in Sandpointe relative to that available in the other, closer-in suburbs surrounding the metropolitan area. Much of this housing was constructed in the late 1990's by private developers assisted with Mello-Roos and assessment financings.

After World War II, the federal government built a large military airbase at the secluded southern tip of the city. Although somewhat transitory, Sandpointe's military population is about 2,500 at any given point in time.

Employment

Sandpointe's civilian workforce is approximately 21,500. Its military workforce is approximately 2,500.

Historically, irrigated farming and ranching have been the prevalent industries in Sandpointe and today they employ approximately 5,000 permanent Sandpointe residents. They also attract a small migratory labor force during the spring and fall harvests.

Sandpointe's Airforce Pilot Testing and Training Facility has steadily employed approximately 4,000 civilians, who traditionally settle in Sandpointe. Almost half of the civilian employees are well paid engineers and computer scientists. The base also employs up to 2,500 military personnel at any one time. The military personnel are largely support staff and pilots-in-training who live on or around the base in Sandpointe.

Most of the remaining labor force work in the large metropolitan area to the north of the City (8,000), for local government agencies in Sandpointe, including teachers and other school personnel (2,000), or in service industries and retail businesses in the City (2,000). There also is an aluminum siding manufacturer on the eastern edge of Sandpointe that

employs approximately 500 people. The aluminum siding manufacturer's facility was built in 1989 with the aid of a 30-year industrial development bond issued by Sandpointe and secured by the manufacturer's revenue stream.

Sources of Revenue

Sandpointe's revenues are currently derived from the following sources: 30% from utility users' taxes, 30% from sales taxes, 30% from other users' fees, and 10% from property taxes. Utility users' taxes were last increased to their present level of 9% in 2004.

Until recently, sales tax revenues were approximately 45% of City general fund revenues. However, the closure of a local auto mall and increased access to newer retail and factory outlets on the outskirts of the metropolitan area to the north of the city have reduced the proportion of revenues from the sales tax as well as overall City general fund revenues.

Current City Financings

In 2005, the City of Sandpointe issued \$5 million in revenue bonds to refurbish the City's water treatment plant and make improvements to the City's water distribution system. The bonds mature on May 1, 2030, and interest and principal are payable from the City's net water revenues. The estimated completion time of the project is five years.

Prior to the closing of the bond issue, it was estimated that all of the bond proceeds would be expended in the first 36 months of the project, which would meet the conditions stated under federal tax law to avoid potential arbitrage consequences. However, problems occurred six months into the state approval process for the water treatment plant, delaying the project. The delays have caused the City to anticipate that only 80 percent of the bond proceeds will be spent within three years, and another six months will be required to expend the remaining amount.

Treasurer's Office Information

The previous Treasurer held the office for 20 years, and was very active in the management of the city's investment portfolio. Prior to being elected Sandpointe's Treasurer, he worked in the private sector as a retail broker/dealer. The Treasurer maintained close contact with his previous firm—Jones, Smith and Brown LLP—throughout his term in office, as the firm remained one of his preferred broker/dealers for the City. The firm sold the City most of the investment products contained in the current portfolio.

The previous Treasurer believed that the City's portfolio should reflect prudent investment of public funds, with an adequate balance being met between safety and yield. His investment philosophy espoused safety and liquidity of investment; however, yield was also an important consideration as the growing City faced a great deal of budgetary pressures. (Given his background and experience, the Treasurer felt confident with his discretion under the City's investment policy to purchase more risky investments than dictated on the basis of safety and liquidity.) His investment strategy included maintaining an adequate liquid investment in the state's Local Agency Investment Fund (LAIF), while lengthening the maturity of the rest of the portfolio. He relied heavily on his preferred broker/dealers for advice on products that would meet his goals.

Until 2004, the portfolio performed generally well, meeting or exceeding market

benchmarks. Most of the gains were made from the sale of longer-term investments in a declining interest rate environment. During this time, the City's investment portfolio had a weighted average maturity of 3.1 years. The portfolio has not performed well in the first half of 2007. At the same time, budget expenditure pressures have increased. (Three of the five City Council persons were re-elected based upon recent increased general fund expenditures that have improved city mass transit services, added more parks and recreational activities for children, and increased library hours of operation.) In light of these pressures, the former Treasurer announced his resignation effective April 2007.

A new Sandpointe City Treasurer was elected in a special election held in June 2007. The Treasurer's in-house investment staff consisted of three full-time positions: an Assistant Treasurer, an Investment Officer, and an Administrative Assistant. As the City Treasurer also holds the responsibility of Finance Director, the Treasurer's office also contains a finance staff consisting of a Budget Analyst and an Accounting Clerk. The new Treasurer will continue to assume the same responsibilities, and, as there are no funds currently available for additional treasury staff, will retain the same number of staff positions. The previous Treasurer's staff will remain in their current positions under the new administration. Collectively they average about 10 years experience in their specific duties.

The investment staff does not subscribe to Bloomberg, but does receive other industry periodicals, journals, and newspapers. The City currently relies solely on the Treasurer and investment staff for management of the portfolio.

ISSUE 1: OVERVIEW (*SEE ALL ATTACHMENTS*)

The new Treasurer's first task is to conduct a cursory review of the City's cash flow, investment policy, and investment portfolio inherited from the previous administration. As part of this review, the Treasurer needs to become familiar with Sandpointe's current cash flow situation and future cash needs, goals set forth in its investment policy and how it seeks to achieve them, and the types of investments in the existing portfolio, their maturities, and yields. The purpose of this review is to evaluate the City's existing cash and investment situation and take action where needed.

ISSUE 2: INVESTMENT POLICY (*SEE ATTACHMENT 1*)

California Government Code Section 53646 requires all local agencies to develop an annual investment policy that must be considered by the legislative body of the local agency at a public meeting. The previous City Treasurer submitted a copy of the investment policy to the City Council and Oversight Committee last July. It was approved based upon the previous Treasurer's recommendation with little discussion. (The last revision made to the policy occurred in July 2004.) The new City Treasurer has decided to review the investment policy to ensure it clearly defines the City's investment goals and provides adequate safety and liquidity measures to protect local public funds.

Questions:

1. Does the City's investment policy comply with state law?
2. Does the investment policy discuss the prudent investment standard?
3. Given current conditions, does the investment policy clearly state the City's investment goals and risk constraints? Does it provide a plan for the City to meet these goals?
4. Are the Treasurer's roles and responsibilities as defined by the investment policy appropriate?
5. Is there an appropriate balance between the Treasurer's discretionary powers and the City Council's oversight authority?
6. Are the authorized investment instruments appropriate given the investment goals/risk constraints and applicable law of the City?
7. What should be the investment goals/strategy of the City? How would an active versus passive investment strategy affect Sandpointe's treasury operations?
8. Should the Treasurer's responsibilities be expanded or curtailed in any areas?
9. Should the investment policy include other criteria (e.g., broker/dealer selection criteria)?
10. What recommendations (if any) should the City Treasurer make to the City Council and oversight committee regarding additions, deletions and/or changes to the investment policy?
11. What other areas of the investment policy would you recommend updating?
12. Other issues and questions?

ISSUE 3: CASH FLOW FORECASTING (SEE ATTACHMENT 2)

The previous City Treasurer and investment staff prepared a cash flow forecast for the current fiscal year. It contains actual revenue collections and expenditures through December 2011. The forecast was based primarily on the historic cash flow trends of the previous 10 years. In the past, the forecast was updated on a quarterly basis to reflect unexpected changes in the City's cash position. Also, the City's budget generally has been updated on a semi-annual basis.

Questions:

1. What does the forecast say about the City's current cash flow position?
2. Can the Treasurer feel comfortable signing an affirmation that the current cash position meets expenditure needs for the next six months?
3. What should be the City's cash flow forecasting goals?
4. What are some of the recurrent events that may affect the City's cash flow needs?
Non-recurrent events?
5. Is the City's cash flow forecasting approach appropriate for its goals? Does it provide an accurate picture of the City's short-term cash needs? Does the cash forecast provide adequate information for the City Treasurer and Investment Officer to make investment decisions?
6. Given the cash flow forecast, what would be an appropriate investment strategy for the city's temporary and surplus cash?
7. Other questions or issues?

ISSUE 4: INVESTMENT OUTLOOK/PORTFOLIO ANALYSIS (SEE ALL ATTACHMENTS)

The City Treasurer and investment staff need to further analyze the City's investment portfolio in light of the current investment outlook and information gathered regarding the City's cash flow forecast and investment policy. Current global economic conditions are mixed. The stock market remains volatile. The status of the economy is in question because of problem existing in residential real estate and mortgage lending. The economy is also experiencing lulls in employment and productivity growth appears to be slowing. Inflation remains high, but the feeling is still expectant economic growth. In addition, the marketplace is expecting the federal government to ease monetary policy in the coming months, which will help alleviate some of the aforementioned problems. In addition, crude oil and energy prices are at an all time high, posing a threat to the economy. (Please see the attached history and current snapshot of interest rates.)

Questions:

1. What financial tools are available for the City Treasurer and investment staff to use to analyze the current investment outlook? How does the information provided from these financial tools affect decisions made regarding the investment portfolio?
2. Do the investments comply with state Government Code restrictions?
3. Does the investment portfolio mirror the goals and guidelines set forth in the investment policy and the needs of the cash flow forecast?
4. Given the current economic outlook, what investment strategy should the City use (e.g., active vs. passive approach)? If conditions were to worsen, should this approach change? Should the City consider contracting with an investment advisor

- for management of the portfolio? What services/roles could the investment advisor provide to the City given its current situation?
5. Evaluate the current investment portfolio to see if it meets the restrictions in the investment strategy, policy, and cash flow needs outlined above. What changes (if any) are needed?
 - a) Could the portfolio be improved to guarantee better safety and liquidity?
 - b) Could additional yield be attained without significantly compromising safety and liquidity?
 - c) Should the portfolio be rebalanced?
 - d) Should the portfolio be laddered?
 - e) What are the current safekeeping practices for securities?
 - f) Is the portfolio too risky in these times?
 6. Other issues and questions?

ISSUE 5: WORKING THE DEAL (*SEE ATTACHMENT 3*)

The City Treasurer and investment staff would like to make some changes to the investment portfolio to better meet safety and liquidity needs of the City. Since the new Treasurer has taken office, numerous calls have come in from broker/dealers throughout the state offering various products and services to the Treasurer and investment staff. The previous City Treasurer left a list of preferred broker/dealers. Four years have past since the list was last modified.

Questions:

1. Should the City put out an RFP for broker/dealers at this time? What options are available?
2. What are some of the key questions the City should ask of the broker/dealers?
3. How should the City handle cold calls from various broker/dealers?
4. What are the key differences between a primary broker/dealer, a secondary broker/dealer, and a regional broker/dealer?
5. What products can each of these broker/dealers offer the City to improve its portfolio? How would these offers conform to the Government Code, the current investment policy, and the City's portfolio needs?
6. Other issues and questions?

PANEL SUMMATION OF KEY POINTS

ATTACHMENT 1

CITY OF SANDPOINTE INVESTMENT POLICY

POLICY

Under authority granted by the Sandpointe City Council, the City Treasurer is responsible for investing the unexpended cash in the City Treasury. The authority governing investments for municipal governments is set forth in California Government Code Sections 53600 et seq.

The basic objectives of Sandpointe's investment program are safety of invested funds, maintenance of sufficient liquidity to meet cash flow needs, and attainment of the maximum yield possible consistent with the first two objectives. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

SCOPE

The investment policy applies to the City of Sandpointe's temporary and surplus funds, as well as other funds under the City Treasurers' span of control unless specifically exempted by statute or ordinance. One exception does exist regarding the investment of bond reserve funds. The investment policy authorizes the City Treasurer to invest such funds in accordance with state law as bond indentures deemed prudent.

PRUDENCE

The standard to be used by investment officials shall be that of a "prudent person" and shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The City Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

DELEGATION OF AUTHORITY

Under the authority granted by Sandpointe City Council, the City Treasurer shall be responsible for investing temporary cash, surplus cash, and bond proceeds. Daily management responsibility of the investment program has been delegated to the City Treasurer, who shall establish procedures for the operation consistent with this investment policy.

OVERSIGHT COMMITTEE

An oversight committee consisting of the City Treasurer, appropriate management employees, and external members appointed and confirmed by City Council shall be established to provide general oversight and direction concerning the policy related to management of the City's investments. The committee shall meet quarterly unless internal or bond market circumstances require more frequent meetings.

SAFEKEEPING OF SECURITIES

To protect against fraud, embezzlement, or losses caused by collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent.

Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

The City Treasurer must approve all exceptions to this safekeeping policy in written form.

REPORTING

The City Treasurer upon written request of the City Council shall produce reports that may include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value, and the accrued interest due for all securities. The report may also detail all repurchase agreements and reverse repurchase positions and associated liabilities.

QUALIFIED BROKER/DEALERS

The City shall transact business only with banks, savings and loans, and broker/dealers. The City Treasurer will make exceptions only upon written authorization. Investment staff shall screen dealers who wish to do business with the City to determine if they are adequately capitalized, have pending legal action against them or the firm, and to ensure that investment offerings are appropriate for the City's needs.

The City Treasurer shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

AUTHORIZED INVESTMENTS

Investment of City funds is governed by California Government Code Sections 53600 et seq. Authorized investments may include:

1. United States Treasury bills, bonds, and notes with a maturity of 15 years or less.
2. Agencies of the federal government with a maturity of 8 years or less.
3. Banker's acceptances of 360 days.
4. Commercial paper ranked P1 by Moody's Investors Services or A1 by Standard & Poor's with a maximum maturity of 365 days.
5. Negotiable certificates of deposit issued by nationally or state chartered banks or state or federal savings institutions.
6. Local Agency Investment Fund (LAIF).
7. Medium-term corporate notes, with a maximum maturity of ten years may be purchased. Securities eligible for investment shall be rated A or better by Moody's or Standard & Poor's rating services.
8. Daily cash funds administered for or by trustees, paying agents and custodian banks contracted by the City of Sandpointe may be purchased as allowed under the California Government Code.

LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the City to limit the potential effects of erosion in market values by adhering to the following guidelines:

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity. Such decisions will be at the discretion of the City Treasurer.

POLICY REVIEW

Any amendments to the City of Sandpointe's investment policy shall be forwarded to the City Council for approval. The Oversight Committee shall review this investment policy as deemed necessary to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends.

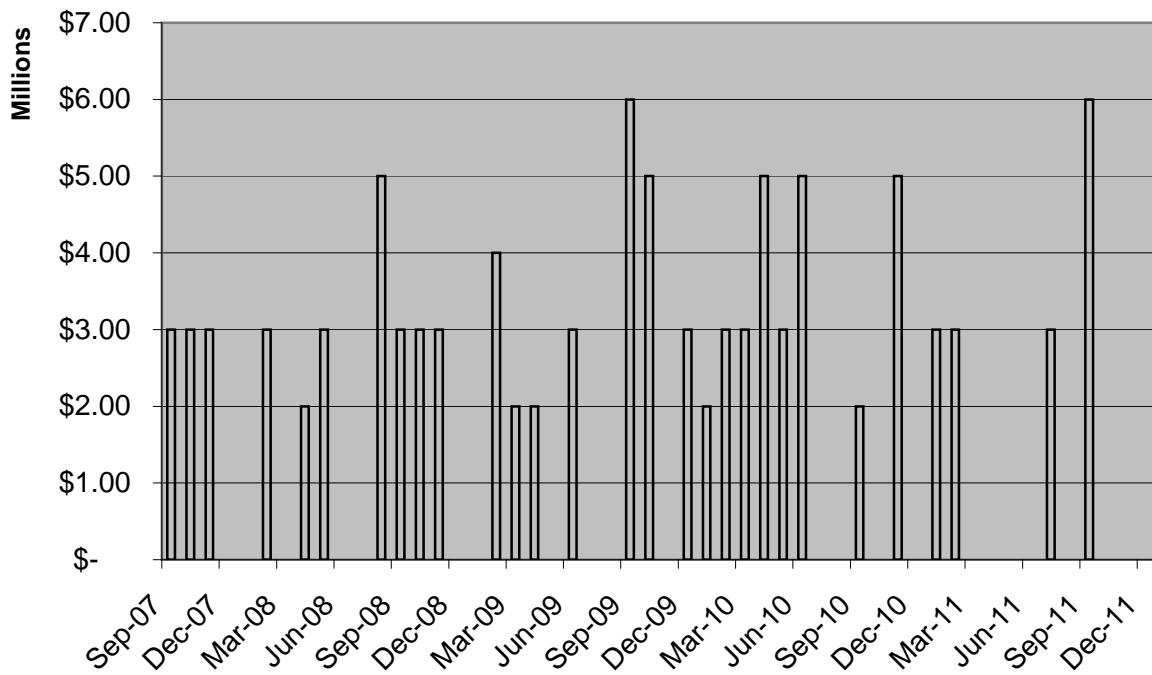
Last revision 9/15/07

Portfolio (Alphabetically)

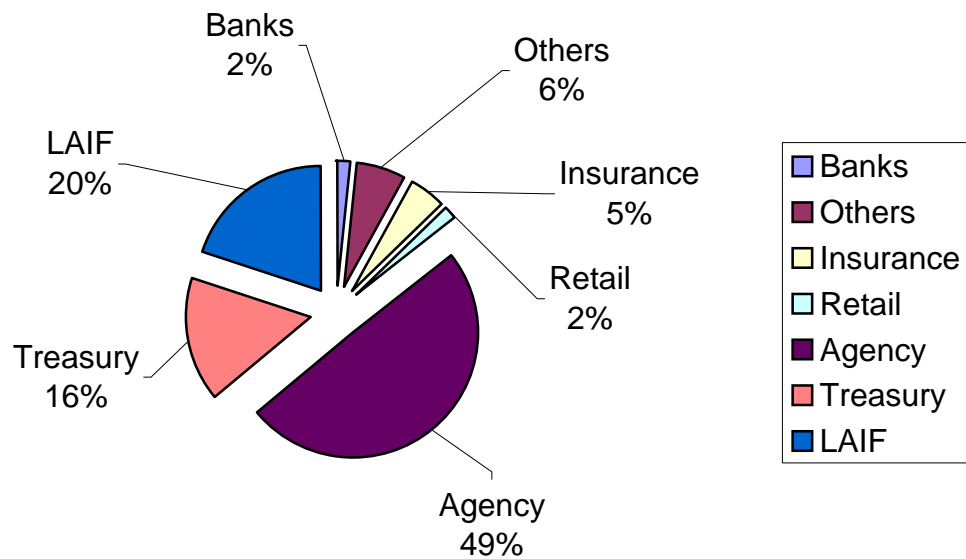
Attachment 3

Description	Coupon	Maturity	Rating	Identifier	Position	Mkt Px	Mkt Val	Call Date	Call Type
AIG	5.85	8/1/2008	AA+/AA2	008739AA	\$ 2,000,000.00	100.26	2.018MM		
Bank of America	7.125	3/1/2009	AA-/AA2	066050CP	\$ 2,000,000.00	102.62	2.056MM		
Berkshire Hathaway	4.125	1/15/2010	AAA/AAA	084664AQ	\$ 2,000,000.00	99.75	2.008MM		
Citicorp	3.625	2/9/2009	AA1/AA	172967CH	\$ 2,000,000.00	98.38	1.974MM		
FFCB	3.75	2/13/2009	AAA/AAA	31331TTK	\$ 2,000,000.00	98.79	1.982MM	9/18/2007	American
FHLB	5.25	4/11/2008	AAA/AAA	3133XLQG	\$ 2,000,000.00	100.03	2.018MM		
FHLB	4.5	9/8/2008	AAA/AAA	3133XCX4	\$ 3,000,000.00	99.80	2.995MM		
FHLB	3.62	11/14/2008	AAA/AAA	3133X1XC	\$ 3,000,000.00	98.77	2.998MM		
FHLB	5	9/18/2009	AAA/AAA	3133XGNJ	\$ 3,000,000.00	100.96	3.101MM		
FHLB	5.4	10/23/2009	AAA/AAA	3133XHHG	\$ 3,000,000.00	100.00	3.062MM	10/23/2007	Euro
FHLB	4.05	2/9/2010	AAA/AAA	3133X3P8	\$ 3,000,000.00	98.75	2.973MM	9/17/2007	American
FHLB	4.375	2/9/2010	AAA/AAA	3133XBB2	\$ 3,000,000.00	99.82	3.058MM		
FHLB	4.875	5/14/2010	AAA/AAA	3133XKXD	\$ 3,000,000.00	100.94	3.074MM		
FHLB	4.25	6/30/2010	AAA/AAA	3133XC3L	\$ 3,000,000.00	98.98	2.994MM	6/30/2008	Euro
FHLB	5	9/19/2011	AAA/AAA	3133XMCS	\$ 3,000,000.00	100.07	3.002MM	9/19/2008	Euro
FHLMC	6.625	9/15/2009	AAA/AAA	3134A3M7	\$ 3,000,000.00	104.08	3.219MM		
FHLMC	5	11/1/2010	AAA/AAA	3128X4TB	\$ 3,000,000.00	99.74	3.046MM	11/1/2007	Euro
FHLMC	4.75	1/18/2011	AAA/AAA	3134A4VJ	\$ 3,000,000.00	100.85	3.046MM		
FHLMC	5.25	2/24/2011	AAA/AAA	3128X4N5	\$ 3,000,000.00	100.33	3.017MM	2/24/2009	Euro
FHLMC	5.25	7/18/2011	AAA/AAA	3137EAAF	\$ 3,000,000.00	102.62	3.102MM		
FHLMC	5.5	9/15/2011	AAA/AAA	3134A4HF	\$ 3,000,000.00	103.62	3.189MM		
FNMA	3.75	10/24/2008	AAA/AAA	3136F4PV	\$ 3,000,000.00	99.01	3.013MM		
FNMA	6.375	6/15/2009	AAA/AAA	31359MEV	\$ 3,000,000.00	103.15	3.140MM		
FNMA	4.625	12/15/2009	AAA/AAA	31359M2S	\$ 3,000,000.00	100.28	3.042MM		
FNMA	4.21	4/6/2010	AAA/AAA	3136F5PK	\$ 3,000,000.00	98.93	3.022MM	10 Days Notice	American
HSBC	4.75	4/15/2010	AA-/AA3	40429CCQ	\$ 2,000,000.00	99.34	2.025MM		
JP Morgan	4.5	11/15/2010	AA-/AA2	46625HBA	\$ 2,000,000.00	97.83	1.986MM		
LAIF			Implied		\$25,000,000.00				
Lowe's Co	8.25	6/1/2010	A+/A1	548661CA	\$ 2,000,000.00	107.33	2.193MM		
Principal Financial	3.2	4/1/2009	AA/AA2	74254PAA	\$ 2,000,000.00	97.01	1.969MM		
Protectice Life	4	10/7/2009	AA/AA3	74367FAE	\$ 2,000,000.00	98.44	2.003MM		
Treasury	3	11/15/2007	Implied	912828AN	\$ 3,000,000.00	99.81	3.023MM		
Treasury	3.375	2/15/2008	Implied	912828DK	\$ 3,000,000.00	99.64	2.997MM		
Treasury	5.625	5/15/2008	Implied	9128274F	\$ 3,000,000.00	100.81	3.079MM		
Treasury	3.25	8/15/2008	Implied	912828BG	\$ 3,000,000.00	99.13	2.981MM		
Treasury	3.875	9/15/2010	Implied	912828EG	\$ 2,000,000.00	99.75	2.033MM		
Treasury Bill	0	9/27/2007	Implied	912795A3	\$ 3,000,000.00	99.82	2.995MM		
Treasury Bill	0	10/11/2007	Implied	912795A5	\$ 3,000,000.00	99.67	2.990MM		

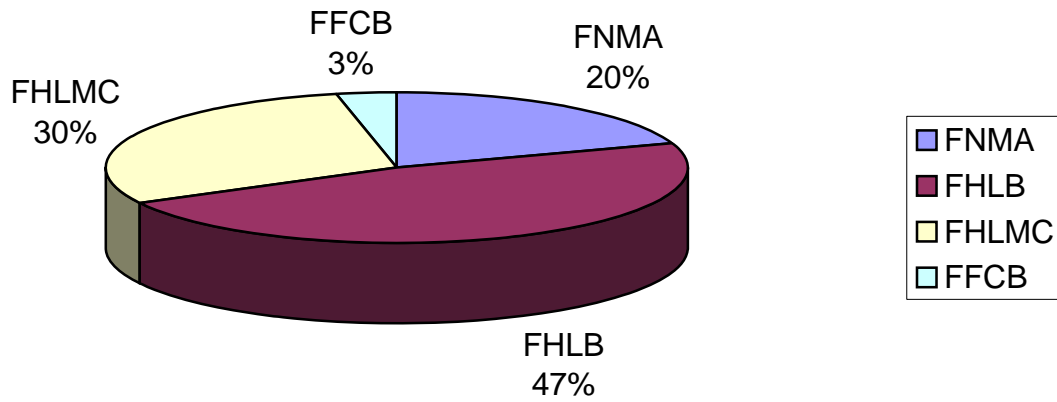
Maturity Schedule



Breakdown by Sector



Agency Distribution



US Treasury Yield Curve

Historical Data

	2/1/2006	3/29/2006	5/11/2006	3/14/2007	9/13/2007	
fed fds	4.50	4.75	5.00	5.25	5.25	
3 month	4.47	4.615	4.812	5.041	4.046	
6 month	4.584	4.817	4.976	5.087	4.256	
2 year	4.574	4.799	4.984	4.555	4.024	
3 year	4.542	4.798	5.00	4.478	4.049	
5 year	4.498	4.795	5.033	4.451	4.177	
10 year	4.555	4.804	5.151	4.534	4.464	

*Source: Bloomberg

Investment Portfolio For The City of Sandpointe 2007

Maturity	Investment #	Security	Description	Coupon	Maturity	Rating	Identifier	Position	Mkt Px	Mkt Val	Call Date	Call Type
9/27/2007	1	B 09/27/07	Treasury Bill	0	9/27/2007	Implied	912795A3	\$ 3,000,000.00	99.81956	2.995MM		
10/11/2007	2	B 10/11/07	Treasury Bill	0	10/11/2007	Implied	912795A5	\$ 3,000,000.00	99.665	2.990MM		
11/15/2007	3	T 3 11/15/07	Treasury	3	11/15/2007	Implied	912828AN	\$ 3,000,000.00	99.8125	3.023MM		
2/15/2008	4	T 3.375 02/15/08	Treasury	3.375	2/15/2008	Implied	912828DK	\$ 3,000,000.00	99.64063	2.997MM		
4/11/2008	13	FHLB 5.25 04/11/08	FHLB	5.25	4/11/2008	AAA/AAA	3133XLQG	\$ 2,000,000.00	100.02811	2.018MM		
5/15/2008	5	T 5.625 05/15/08	Treasury	5.625	5/15/2008	Implied	9128274F	\$ 3,000,000.00	100.8125	3.079MM		
8/1/2008	8	AIG 5.85 08/01/08	AIG	5.85	8/1/2008	AA+/AA2	008739AA	\$ 2,000,000.00	100.25954	2.018MM		
8/15/2008	6	T 3.25 08/15/08	Treasury	3.25	8/15/2008	Implied	912828BG	\$ 3,000,000.00	99.125	2.981MM		
9/8/2008	14	FHLB 4.5 09/08/08	FHLB	4.5	9/8/2008	AAA/AAA	3133XCX4	\$ 3,000,000.00	99.80106	2.995MM		
10/24/2008	32	FNMA 3.75 10/24/08	FNMA	3.75	10/24/2008	AAA/AAA	3136F4PV	\$ 3,000,000.00	99.01057	3.013MM		
11/14/2008	15	FHLB 3.625 11/14/08	FHLB	3.62	11/14/2008	AAA/AAA	3133X1XC	\$ 3,000,000.00	98.766	2.998MM		
2/9/2009	11	C 3.625 02/09/09	Citicorp	3.625	2/9/2009	AA1/AA	172967CH	\$ 2,000,000.00	98.38	1.974MM		
2/13/2009	12	FFCB 3.75 02/13/09	FFCB	3.75	2/13/2009	AAA/AAA	31331TTK	\$ 2,000,000.00	98.79194	1.982MM	9/18/2007	American
3/1/2009	9	BAC 7.125 03/01/09	Bank of America	7.125	3/1/2009	AA-/AA2	066050CP	\$ 2,000,000.00	102.617	2.056MM		
4/1/2009	42	PFG 3.2 04/01/09	Principal Financial	3.2	4/1/2009	AA/AA2	74254PAA	\$ 2,000,000.00	97.014	1.969MM		
6/15/2009	33	FNMA 6.375 06/15/09	FNMA	6.375	6/15/2009	AAA/AAA	31359MEV	\$ 3,000,000.00	103.146	3.140MM		
9/15/2009	25	FHLMC 6.625 09/15/09	FHLMC	6.625	9/15/2009	AAA/AAA	3134A3M7	\$ 3,000,000.00	104.077	3.219MM		
9/18/2009	16	FHLB 5 09/18/09	FHLB	5	9/18/2009	AAA/AAA	3133XGNJ	\$ 3,000,000.00	100.961	3.101MM		
10/7/2009	43	PL 4 10/07/09	Protectice Life	4	10/7/2009	AA/AA3	74367FAE	\$ 2,000,000.00	98.443	2.003MM		
10/23/2009	17	FHLB 5.4 10/23/09	FHLB	5.4	10/23/2009	AAA/AAA	3133XHHG	\$ 3,000,000.00	100.00293	3.062MM	10/23/2007	Euro
12/15/2009	34	FNMA 4.625 12/15/09	FNMA	4.625	12/15/2009	AAA/AAA	31359M2S	\$ 3,000,000.00	100.279	3.042MM		
1/15/2010	10	BRK 4.125 01/15/10	Berkshire Hathaway	4.125	1/15/2010	AAA/AAA	084664AQ	\$ 2,000,000.00	99.75	2.008MM		
2/9/2010	18	FHLB 4.05 02/09/10	FHLB	4.05	2/9/2010	AAA/AAA	3133X3P8	\$ 3,000,000.00	98.74878	2.973MM	9/17/2007	American
2/9/2010	19	FHLB 4.375 03/17/10	FHLB	4.375	2/9/2010	AAA/AAA	3133XBB2	\$ 3,000,000.00	99.819	3.058MM		
4/6/2010	35	FNMA 4.21 04/06/10	FNMA	4.21	4/6/2010	AAA/AAA	3136F5PK	\$ 3,000,000.00	98.92829	3.022MM	10 Days Notice	American
4/15/2010	39	HSBC 4.75 04/15/10	HSBC	4.75	4/15/2010	AA-/AA3	40429CCQ	\$ 2,000,000.00	99.343	2.025MM		
5/14/2010	20	FHLB 4.875 05/14/10	FHLB	4.875	5/14/2010	AAA/AAA	3133XKXD	\$ 3,000,000.00	100.943	3.074MM		
6/1/2010	41	LOW 8.25 06/01/10	Lowe's Co	8.25	6/1/2010	A+/A1	548661CA	\$ 2,000,000.00	107.334	2.193MM		
6/30/2010	21	FHLB 4.25 06/30/10	FHLB	4.25	6/30/2010	AAA/AAA	3133XC3L	\$ 3,000,000.00	98.9771	2.994MM	6/30/2008	Euro
9/15/2010	7	T 3.875 09/15/10	Treasury	3.875	9/15/2010	Implied	912828EG	\$ 2,000,000.00	99.75	2.033MM		
11/1/2010	26	FHLMC 5 11/01/10	FHLMC	5	11/1/2010	AAA/AAA	3128X4TB	\$ 3,000,000.00	99.744	3.046MM	11/1/2007	Euro
11/15/2010	40	JPM 4.5 11/15/10	JP Morgan	4.5	11/15/2010	AA-/AA2	46625HBA	\$ 2,000,000.00	97.829	1.986MM		
1/18/2011	27	FHLMC 4.75 01/18/11	FHLMC	4.75	1/18/2011	AAA/AAA	3134A4VJ	\$ 3,000,000.00	100.849	3.046MM		
2/24/2011	28	FHLMC 5.25 02/24/11	FHLMC	5.25	2/24/2011	AAA/AAA	3128X4N5	\$ 3,000,000.00	100.32813	3.017MM	2/24/2009	Euro
7/18/2011	29	FHLMC 5.25 07/18/11	FHLMC	5.25	7/18/2011	AAA/AAA	3137EAAF	\$ 3,000,000.00	102.618	3.102MM		
9/15/2011	30	FHLMC 5.5 09/15/11	FHLMC	5.5	9/15/2011	AAA/AAA	3134A4HF	\$ 3,000,000.00	103.615	3.189MM		
9/19/2011	22	FHLB 5 09/19/11	FHLB	5	9/19/2011	AAA/AAA	3133XMCS	\$ 3,000,000.00	100.06507	3.002MM	9/19/2008	Euro
	44	LAIF	LAIF			Implied		\$ 25,000,000.00				

City of Sandpointe
Cash Flow Schedule (in thousands)

	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
<u>Cash In</u>	<u>Sep-07</u>	<u>Dec-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>FY Totals</u>
Sales Tax	970.0	1,170.0	1,352.0	1,802.0	2,702.0	3,242.0	900.0	1,080.0	1,080.0	1,350.0	1,350.0	1,250.0	18,248.0
Utility Users's Tax	1,890.0	1,716.0	1,570.0	1,300.0	1,200.0	1,572.0	1,700.0	1,520.0	1,350.0	1,450.0	1,450.0	1,670.0	18,388.0
MVLF / other	1,078.0	616.0	2,366.0	912.0	1,402.0	902.0	1,030.0	118.0	1,864.0	264.0	2,826.0	1,800.0	15,178.0
Interest Incom	304.0	506.0	144.0	140.0	144.0	184.0	288.0	482.0	136.0	136.0	138.0	170.0	2,772.0
Property Tax	60.0	105.0	72.0	180.0	100.0	2,640.0	60.0	60.0	120.0	2,350.0	300.0	60.0	6,107.0
Total Revenues:	4,302.0	2,058.0	5,504.0	4,334.0	5,548.0	8,540.0	3,978.0	3,260.0	4,550.0	5,550.0	6,064.0	4,950.0	60,693.0
Cash Out													
Accounts Payable	4,360.0	4,430.0	4,290.0	4,010.0	5,300.0	4,784.0	2,600.0	3,700.0	3,800.0	3,900.0	3,900.0	3,900.0	48,974.0
Payroll	800.0	800.0	800.0	800.0	800.0	800.0	900.0	900.0	900.0	900.0	900.0	900.0	10,200.0
Total Expenditures:	5,165.0	5,225.0	5,090.0	4,810.0	6,100.0	5,584.0	4,500.0	4,600.0	4,700.0	4,800.0	4,800.0	4,800.0	60,174.0
Net Cash Flow:	-860.0	-1,050.0	417.0	-276.0	-732.0	2,956.0	-522.0	-1,410.0	-250.0	670.0	1,250.0	100.0	0.0
Maturities													
Investments													

Cumulative Cash Flow:

Note: Maturity Values for July 07 through Dec 07 are assumed to be prior investment purchases that matured in the respective months.

The negative value in Dec 07 reflects an excess of funds of \$956 that were deposited in LAIF - so that the ending LAIF balance is \$1,000,000.